



Testimony of Gordon M. Cook, Jr.  
Dairy Producer from Hadley, Massachusetts,  
And Member of Board of Directors  
Holstein Association USA, Inc.

Submitted to the House Committee on Agriculture  
Subcommittee on Livestock, Dairy, and Poultry

For a hearing to discuss  
"The Economic Conditions Facing the Dairy Industry"

July 28, 2009

House Agriculture Committee Room  
1300 Longworth House Office Building  
Washington, D.C.

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Holstein Association USA, Inc.  
July 28, 2009

Thank you Chairman Peterson, Chairman Scott, Ranking Member Lucas, and Ranking Member Neugebauer for inviting me to testify. I am a dairy farmer from Hadley, Massachusetts who milks 65 cows, and I am here representing the 30,000 members of the Holstein Association USA, Inc., a non-profit dairy organization that is headquartered in Brattleboro, Vermont. I am here to talk about our Dairy Price Stabilization Program which we believe will be able to stabilize the peaks and valleys of milk prices.

The crisis facing America's dairy farmers is well documented. You are aware that basically every dairyman in the country is losing money on every pound of milk they sell.

What has led us to this crisis? The landscape of the dairy industry has changed significantly since our current milk pricing system was established. Sometimes there is a disconnect between the producer and processor which generally is not beneficial to the dairy farmer.

For example, for one gallon of milk that the consumer pays \$2.99 at the grocery store, the dairy farmer who produced that milk gets just 91 cents. The bulk of the \$2.08 – the difference between what the consumer pays and the farmer receives – goes to the dairy processor, and retailer.

We have seen changes in the quantities of dairy ingredients and products being imported to the United States from other countries. In general, as dairy imports increase, the price paid to U.S. dairy farmers decreases.

A third change is the development of sexed semen and the effect it is having, and will have, on the amount of milk produced in the United States. This year we expect 63,000 extra heifers to enter the national dairy herd, and in 2010, that number is expected to increase to 161,000.

Historically, the U.S. milk pricing system has encouraged dairymen to produce all the milk they can, which has led to instability in prices paid to farmers. In the last four years, we have seen the U.S. All Milk Price average fluctuate between \$20.50 and \$11.50.

Milk is perishable, unlike other agriculture commodities such as corn, soybeans, and others that can be stored for days, or months until the market reaches an acceptable level. It is time for our industry to change its mindset and start producing milk for the market, instead of hoping we can market all the milk we produce.

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The basic objectives of the Holstein Association's Dairy Price Stabilization Program are:

- To prevent severely depressed producer milk prices that result in low and negative returns over feed costs to dairy producers.
- To reduce the volatility of milk prices to dairy producers and thereby reduce the price risk to dairy producers, dairy processors, and consumers of milk and dairy products.
- To complement, and not replace, other existing dairy programs such as the federal dairy price support program and the Milk Income Loss Contract Program. In fact, our program may reduce the federal government cost of both of these two programs.

Here is an overview of the program, and further details have been submitted to the Committee in writing. Let me stress, this Program will not require the Farm Bill to be opened.

The Dairy Price Stabilization Program removes the incentive to produce milk beyond the levels our market demands. It rewards producers who stay in line with market needs.

The U.S. Secretary of Agriculture would administer the program with an advisory Board. The Board will forecast the 12-month domestic and export market demands for fluid milk and manufactured dairy products.

With consideration of the current level of milk production, a determination will be made to the needed change in milk production to fulfill the market needs for each quarter of the next 12 months and return a profitable price to dairymen. This is referred to as the "allowable milk marketings".

Dairy producers who maintain their milk marketings by quarter within the allowable milk marketings will not have to pay market access fees.

Dairy producers who expand their operation and exceed their allowable milk marketings will be assessed a market access fee per hundredweight on total milk marketings. Initially, we would expect the fee to be between \$2.00 to \$3.00 per hundredweight on all milk marketed as determined by the U.S. Secretary of Agriculture and the Board.

The fees collected from producers paying the market access fee would be distributed as a bonus to the dairy producers who stayed within their allowable milk marketings.

Producers will receive their base by filing their history of milk production and monthly marketings to their area USDA Farm Service Agency (FSA) office. The FSA office will notify the producer's milk plant or dairy cooperative to deduct the market access fee, if the producer exceeded their allowable milk marketings.

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The cost of the program to taxpayers is nothing. We would expect an assessment of less than two cents per hundredweight to producers on all milk marketings to cover administrative costs of the program.

We are certain that there will need to be some sort of short term fix, such as a temporary 6-12 month raise in price support or some other quick remedy. However, the dairy industry can not keep coming back to Washington for continued bailouts. The Dairy Price Stabilization Program provides a long-term solution.

In closing, the Holstein Association's membership of 30,000 dairy producers of all sizes from coast to coast appreciate the study you are doing on the U.S. dairy crisis. Something needs to be done now to stop the volatile producer milk price roller coaster ride our nation's dairy farmers continue to experience.

The Dairy Price Stabilization Program was developed for dairy producers by dairy producers and is a long-term solution to the problem of milk price volatility. This Program will be beneficial to dairy farmers, milk cooperatives, processors, and consumers.

Thank you very much.

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**Dairy Price Stabilization Program – Draft**

Updated July 22, 2009

The volatility in dairy product prices and dairy producer milk prices is extremely difficult for dairy producers, milk processors and end users of milk and dairy products to manage. The U.S. All Milk price averaged \$15.13 for 2005, just \$12.88 for 2006, a record high of \$19.13 for 2007 and \$18.32 for 2008, the second highest on record. But, the U.S. All Milk price was a record monthly high of \$21.90 November of 2007, started 2008 with a January price of \$20.50 only to fall to \$15.60 by December and down to \$11.50 for February 2009. Such volatility creates major problems for dairy producers to manage cash flow and make capital investment decisions. When prices are at their lows returns over feed costs become unfavorable and even negative. These unfavorable returns have a negative impact beyond the dairy producer level. Farm input suppliers are negatively impacted as dairy producers reduce their purchases of feed, seed, fertilizer, crop chemicals, machinery and other inputs. These lower input purchases negatively impact local businesses and communities.

**Program objectives:**

- To prevent severely depressed producer milk prices that result in low and negative returns over feed costs to dairy producers.
- To reduce the volatility of dairy product prices and producer milk prices and thereby reduce the price risk to dairy producers, dairy processors and end users of milk and dairy products.
- Provide flexibility in allowing dairy producers who wish to expand their dairy operations as well as providing for new producers who wish to enter dairying.
- To complement and not replace other existing dairy programs such as the federal dairy price support program and the Milk Income Loss Contract Program. In fact, this program would reduce the federal government cost of both of these two programs.
- Provide for a long run dairy program for seven years with a five year review for continuation and/or modifications based on past performance.

**Program provisions:**

- The program is mandatory in that all states will be included. However, it is flexible in that individual producers may decide to expand their dairy operation and new producers are allowed to enter the dairy industry. States having programs to grow their dairy industry will still be able to implement such programs.
- For the purpose of this legislation, the term “new producer” shall be defined as any individual or group of individuals entering the dairy business, none of whom have any interest in a current dairy enterprise.
- Upon implementation of the program, each dairy producer will be assigned an initial base of raw milk marketings from April 1, 2008 through March 30, 2009. There will be a committee setup to review individual appeals. For those producers with less than a 12-month history and for new producers entering after the implementation date, their base will begin with their first full quarter of milk marketings and for the next three quarters. Each producer’s base will be divided into their quarterly

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- historical milk marketings. Bases are a moving base whereby at the beginning of the next 12-month period, a producer's base will be the recent past 12 months.
- The base is assigned to the producer owning the producer license for the dairy operation.
  - Bases can be transferred to someone who takes over the dairy operation on the existing dairy facility.
  - Producers can combine their bases from two or more facilities into one dairy facility provided each producer holding one of the bases to be combined remains engaged in milk production of the operation in the combined facility.
  - In all other instances a producer's base evaporates once the owner of the producer license no longer is actively producing and marketing milk.
  - The program will be administered by the U.S. Secretary of Agriculture with an advisory Board, hereafter referred to as Board, appointed by the Secretary from nominations. The Board will include two dairy producers from each of 6 regions—the West, South, Southeast, Central, Midwest and Northeast; one consumer representative, one representative of dairy product firms (cheese, butter, milk powder or other manufactured products), one representative of a fluid milk bottler, and a dairy economist advisor to the Board.
  - The U.S. Secretary of Agriculture in consultation with the Board will forecast the market for fluid milk and manufactured dairy products (total commercial disappearance) that includes both the domestic market, any foreseen government purchases, and exports for each quarter of the next 12 months. Taking into consideration the current level of milk production, a determination will be made as to the needed change in U.S. milk production to fulfill the market needs for each quarter of the next 12 months allowing for a producer raw milk price that is positive over operating costs as determined by the Board. The Board will meet quarterly with the U.S. Secretary of Agriculture to revise forecasts and to forecast out by quarter for the next 12 month period. The market needs by quarter is referred to as “allowable milk marketings”.
  - Dairy producers who maintain their milk marketings by quarter within the “allowable milk marketings” are not directly impacted by the program. Recognizing that milk production is affected by weather, feed quality, herd health, etc., a producer who exceeds the “allowable milk marketings” for a given quarter by two percent or less will not be impacted provided that their milk marketings for the entire 12 month period are within the “allowable milk marketings” and if so, any “market access fees” collected will be refunded.
  - Dairy producers who produce at or below their “allowable milk marketings” will not be impacted with a reduction in base in the future marketing period/s.
  - Dairy producers who wish to expand their dairy operation and exceed the “allowable milk marketings” will be assessed a “market access fee” per hundredweight on total milk marketings. This “market access fee” will initially be in the range of \$2.00 to \$3.00 per hundredweight on all milk marketed as determined by the U.S. Secretary and the Board. Based on historical performance of the program, this market access

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fee may be increased or decreased, but cannot be increased for dairy producers currently being assessed the “market access fee” for the current 12-month marketing period. If the market access fee would drop while a producer is expanding, the fee could go down (because we need more milk), but a fee would never go up once locked in for 12 months.

- For dairy producers who expand marketings beyond the “allowable milk marketings” and pay a “market access fee”, their fees would be collected and redistributed back to the dairy producers who held their milk marketings within the “allowable milk marketings”. Redistribution of “market access fees” will be done annually at the anniversary date of the inception of this program.
- Once it is determined that a dairy producer has expanded milk marketings beyond the “allowable milk marketings” for a given quarter, the dairy producer will have the “market access fee” deducted from their milk check in the following quarter and for the next three quarters. The dairy producer’s higher milk marketings during the first quarter and following three quarters having a “market access fee” becomes the new and higher historical base to which milk marketings for the quarters for the next 12 months will be compared to. New dairy producers are those who are not the transferee of an existing dairy producer’s base, but rather entering dairying as an entirely new dairy operation. New dairy producers will have the “market access fee” deducted for the first four quarters of their milk marketings. Thereafter, the milk marketings during these four quarters become the new dairy producer’s base to compare the next 12 months’ milk marketings to.
- As with Milk Income Loss Contract payments dairy producers will file their milk production history and monthly milk marketings with their area USDA Farm Service Agency (FSA) office to establish a milk base. Dairy producers will authorize their milk plant or dairy cooperative to submit their milk marketings directly to the FSA office. If a dairy producer’s milk marketings exceed the “allowable milk marketings” for a given quarter, the FSA office will notify the dairy producer’s milk plant or dairy cooperative to deduct the “market access fee” starting the following quarter and for the next three quarters and submit the fees to the FSA office. Area FSA offices will submit “market access fees” collected to the national FSA office where they will be pooled and a value per hundredweight will be calculated for distribution to all dairy producers who had not exceeded the “allowable milk marketings”.
- Transfers of bases from one dairy producer to another or the combination of bases must be approved by the area FSA office.
- The Federal Milk Market Administrator or State Market Administrator, will, if solicited, provide information to use to verify reported producer milk marketings from dairy plants.

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**Administrative costs:**

- An assessment of no more than two cents per hundredweight will be assessed against all milk marketings to cover administrative costs of the program. Milk plants are to submit these assessments directly to the national FSA office.

**For more information, please contact:**

Gordie Cook, Director and Chair, Legislative Affairs Committee, Holstein Association USA, Inc. – 413.447.1461

Adam Griffin, Dairy ID Programs Manager, Holstein Association USA, Inc. – 802.451.4277

Lucas Sjostrom, Government Relations Specialist and Communications Assistant, Holstein Association USA, Inc. – 802.451.4244



**Committee on Agriculture****U.S. House of Representatives****Information Requires From Non-governmental Witnesses**

1. **Name: Gordon M. Cook, Jr**
2. **Business Address : Cook Farm 125 South Maple Street, Hadley, MA**
3. **Business Phone: 413-447-1461**
4. **Organization you represent: Holstein Association USA, Inc.**
5. **List: BS Animal & Veterinary Science, University of Massachusetts , 1969**  
**H.K. Webster Dairy Feed Specialist, 1969-1978**  
**Trucked Dairy Cattle through out the U.S. 1978-1984**  
**Returned to Cook Family Farm (est.1909) In 1984 to present**  
**Owner/Operator Cook Farm with Son, Hank, since 1993**  
**Purebred Dairy Cattle Association Approved Judge of Dairy Cattle**
6. **List: Member, Past President, Hampshire Franklin Holstein Club**  
**Member, Past President, Massachusetts Registered Holstein Club**  
**Member, New England Registered Holstein Association**  
**Member, Past President, Massachusetts Association Dairy Farmers**  
**Member, Past President, currently VP/Marketing, Massachusetts Cooperative**  
**Milk Producers Federation (MCMPF)**  
**Member, Massachusetts Jersey Cattle Club**  
**Member, National Jersey Cattle Club**  
**Past member, former Northeast Interstate Dairy Compact Commission**
7. **List: Board member, Holstein Association USA, Inc. (since 2003)**  
**Chair, Legislative Affairs Committee**  
**Member, Executive Committee**  
**Member, International Committee**

Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2006:

Name: Gordon M. Cook, Jr.

Address: 1 East Hadley Road, Hadley, MA 01035

Telephone: 413-447-1461

Organization you represent (if any): Holstein Association USA, Inc.  
1 Holstein Place, Brattleboro, VT 05302-0808

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2006, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2006, as well as the source and the amount of each grant or contract:

Source: See Attached Amount: \$1,788,273

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: \_\_\_\_\_

Signature: Gordon M Cook Jr.

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

**GRANT ACTIVITY**

Source:	U.S. Dept of Ag APHIS	Michigan Dept of Ag	U.S. Livestock Genetics Export, Inc.	National Milk Producers Federation	U.S. Dept of Ag Ag Research Service	Total
	National F.A.I.R	State of Michigan	Foreign Ag Services (FAS)	NPLC	AgriTech Analytics	Total
1/1 - 6/30/2009	98,878	60,838	27,090	-	-	186,806
2008	112,587	182,296	224,953	5,250	-	525,086
2007	210,337	206,666	236,045	31,500	19,725	704,273
10/1 -12/31/2006	145,588	82,585	143,935	-	-	372,108
Total Grant	567,390	532,385	632,023	36,750	19,725	1,788,273
CFDA#	10.025	10.025	10.600	10.025	10.001	
Pass Thru Entity Grant #		791N8200269	703501	07-9100-1127-CA	5812652042	